

## Message Text

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43/67

ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 GSA-02 INT-08 FEA-00 FPC-01 PA-04

PRS-01 USIA-15 DRC-01 /172 W

----- 078024

R 181950Z JUN 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 9870

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

AMEMBASSY CARACAS

CONFIDENTIAL GEORGETOWN 01015

C O R R E C T E D C O P Y (CORRECTION OF THE WORD ALUMINUM TO  
READ ALUMINA IN SUMMARY PARA. AND PARA 4. OF MSG)

E.O. 11652: GDS

TAGS: EMIN, GY, US, JM, TD

SUBJECT: ALUMINUM- PM BURNHAM'S VIEWS ON REYNOLDS NEGOTIATION AND  
TRIPARITE SMELTERS PROJECT

REF: GEORGETOWN 0956; GEORGETOWN 0757

SUMMARY: BURNHAM TOLD AMBASSADOR HE BELIEVES GOG CAN  
NEGOTIATE MUTUALLY ACCEPTABLE PARTICIPATION (OR TAKEOVER)  
AGREEMENT WITH REYNOLDS, AVODING OPIC INVOLVEMENT. HE  
IS SATISIFIED WITH GUYBAU PERFORMANCE AND SAID GOG NOW  
NEGOTIATING WITH TRINIDAD TO COVER GUYANA'S 33 PERCENT  
SHARE IN FINANCING JOINT SMELTER PROJECT BY MEANS OF  
LONG-TERM CONTRACT FOR ALUMINA SUPPLY. END SUMMARY.

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1. I SAW PM BURNHAM JUNE 17 FOR TOUR D'HORIZON PRIOR

CONSULTATION/HOME LEAVE AND TO INTRODUCE NEW DCM.  
DURING 2-HOUR SESSION, CONVERSATION TURNED TO ALUMINUM  
WHEN I SAID MY TRAVEL PLANS HAD HINGED ON EXPECTATION  
JULY-AUGUST LIKELY BE CALM WITH NO IMPORTANT BILATERAL  
MATTERS EXPECTED TO ARISE. BURNHAM SAID "YOU'RE NOT  
WORRIED ABOUT REYNOLDS, ARE YOU? WE'RE GOING TO  
NEGOTIATE WITH THEM BUT WE DON'T EXPECT ANY PROBLEMS.  
ANYHOW, REYNOLDS IS SMALL POTATOES IN TERMS OF U.S.  
INTERESTS."

2. BURNHAM THEN POSED QUESTION: "SUPPOSE WE REACH  
MUTUALLY SATISFACTORY AGREEMENT WITH REYNOLDS. WHERE  
WOULD THAT LEAVE OPIC?" I REPLIED THAT WITHOUT DE-  
TAILED KNOWLEDGE OF OPIC POLICY ON THE REYNOLDS INVEST-  
MENT, WHICH I UNDERSTOOD COVERED ONLY ROUGHLY \$15  
MILLION INVESTED SINCE 1965, I COULDNT ANSWER HVJ  
QUESTION AUTHORITATIVELY. HOWEVER, IT SEEMED LOGICAL  
TO ME THAT IF THROUGH GENUINE NEGOTIATION, AGREEMENT  
REACHED WHICH WAS ACCEPTABLE TO BOTH PARTIES, THERE  
WOULD BE NO BASIS FOR CLAIM AGAINST OPIC INSURANCE.  
AT SAME TIME, I WOULD HAVE TO SAY THAT THESE AREVERY  
COMPLEX MATTERS ON WHICH EVEN LAWYERS CAN HAVE  
DIFFERENT OPINIONS. BURNHAM ACCEPTEDTHIS ANSWER WITH-  
OUT FURTHER COMMENT AND WITHOUT ELABORATING FURTHER  
ON HIS INTENTIONS REGARDING TIMING OR SUBSTANCE OF  
NEGOTIATIONS WITH REYNOLDS. HE APPEARED TO BE TRYING  
TO GIVE IMPRESSION HE WAS IN NO HURRY AND THAT HE WAS  
CONFIDENT HE COULD COME TO TERMS WITH REYNOLDS.

3. I SAID I HAD BEEN FAVORABLY IMPRESSED WITH WHAT  
I HAD SEEN OFBOTH OPERATIONS AND MANAGEMENT PERSONNEL  
WHEN I VISITED GUYBAU PLANT EARLY MAY. I ASKED HOW  
HE VIEWED CURRENT GUYBAU PERFORMANCE. BURNHAM SAID  
GUYANESE TEAM WAS DOING EXCELLENT JOB. HE CITED  
AS EXAMPLE IMPROVEMENT IN OPERATING EFFICIENCY OF  
CALCINED BAUXITE KILNS. FORMELY IT TOOK 4-5 WEEKS  
DOWN-TIME FOR PERIODIC OVERHAULS WHICH ARE NOW BEING  
COMPLETED IN LESS THAN 2 WEEKS. HE SAID PRODUCTION IS  
INCREASING AT SAATISFACTORY RATE AND MARKET CONDITIONS  
ARE FAVORABLE.

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4. I SAID RECENTLY SIGNED TRIPARTIE AGREEMENT  
(GUYANA, TRINIDAD-TOBAGO, AND JAMAICA) TO INSTALL  
SMELTERS IN TRINIDAD AND GUYANA APPEARED TOEMBODY BOTH  
LOGICAL SHARING OF RESOURCES AND GOOD DEVELOPMENT  
PROSPECTS. I ASKED IF GUYANA'S 33 PER CENT CONTRIBUTION  
TO CAPITAL OF FIRST SMELTE TO BE CONSTRUCTED IN  
TRINIDAD WOULD REQUIRE CASH OUTLAY. BURNHAM SAID

THREE COUNTRIES WILL JOINTLY SEEK INTERNATIONAL FINANCING FOR MAJOR PORTION OF CAPITAL REQUIREMENT. HOWEVER, BECAUSE OF ITS CURRENT SHORTAGE OF FUNDS, GUYANA IS EXPLORING WITH TRINIDAD THE FEASIBILITY OF AN ARRANGEMENT WHEREBY TRINIDAD WOULD ACCEPT AS PART OF GUYANA'S CONTRIBUTION TO SHARE CAPITAL A LONG-TERM CONTRACT TO SUPPLY ALUMINA TO THE SMELTER. HE DID NOT ELABORATE.

5. BURHAM ALSO ASKED WHAT WS PRESENT USG POSITION ON JAMAICAN NEGOTIATIONS WITH ALUMINUM MULTI-NATIONALS. I SAID AS HE AWARE USG HAD NOT SO FAR BECOME DIRECTLY INVOLVED, THAT AT LEAST TWO COMPANIES WERE SEEKING INTERNATIONAL ARBITRATION AND THAT SECOND STAGE OF NEGOTIATIONS OVER LAND OWNERSHIP, GOJ OWNERSHIP PARTICIPATION, ETC. WERE STILL AHEAD. BURNHAM MUSED OUT LOUD RE EFFECT OF GOJ TAX LEVY ON FINISHED ALUMINUM PRICES IN U.S. I SAID SEVERAL COMPANIES HAD JUST RAISED PRICE BY SOMETHING BETWEEN ONE AND ONE AND HALF CENTS PER POUND, BUT IT WASN'T CLEAR TO WHATEXTENT THIS ATTRIBUTABLE TO JAMAICAN TAX. KREBS

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## Message Attributes

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